

In re Supreme Court Article II, Rule 10 :
(Limited Liability Company Amendments) :

ORDER

Article II, Rule 10 of the Supreme Court Rules, entitled Professional Service Corporations and limited liability partnerships (limited liability entities), is hereby amended by adding a new subdivision (j) and further, by modifying all subdivisions of the rule to read as follows:

Rule 10. Professional service corporations, and limited liability partnerships and limited liability companies (limited liability entities). – (a) Attorneys at law admitted to practice before this court may engage in the practice of law in the form of professional service corporations as provided by the Professional Service Corporation Law, G.L. 1956 (1999 Reenactment), §§7-5.1-1 to 7-5.1-12, as amended, ~~or as~~ as registered limited liability partnerships, as provided by the Uniform Partnership Act, G.L. 1956 (1999 Reenactment), §§7-12-31.1, 7-12-56 to 7-12-59, as amended, or as limited liability companies, as provided by the Rhode Island Limited Liability Company Act, G.L. 1956 (1999 Reenactment) §§7-16-1 to 17-16-75, as amended.

(b) As used in this rule, the term “limited liability entity” shall include a professional service corporation and a registered limited liability partnership and limited liability company organized to practice law pursuant to the laws of any state or other jurisdiction of the United States and which practices law in the State of Rhode Island; the term “limited liability entity charter” shall mean its Articles of Incorporation (in the case of a professional service corporation), its Articles of Organization (in the case of a domestic limited liability company), its Application for Registration (in the case of a foreign limited liability company), its Application for Registered Limited Liability Partnership (in the case of a domestic partnership) or its Notice of Foreign Registered Limited Liability Partnership (in the case of a foreign partnership); and the term “limited liability entity amendment” shall mean its Articles of

Amendment to the Articles of Incorporation (in the case of a professional service corporation), its Articles of Amendment to Articles of Organization (in the case of a domestic limited liability company), its Amendment to Application for Registration (in the case of a foreign limited liability company) or its renewal Application for Registered Limited Liability Partnership (in the case of a domestic partnership) or its new Notice of Foreign Registered Limited Liability Partnership (in the case of a foreign partnership).

(c) A limited liability entity may not engage in the practice of law unless and until it applies to and receives from this court a license to operate as a limited liability entity and only so long as such license remains in good standing.

(d) Within thirty (30) days after filing its ~~Original Articles of Incorporation or its application to become a registered limited liability partnership~~ limited liability entity charter with the Secretary of State, each limited liability entity formed to engage in the practice of law shall file with the clerk of the Supreme Court a copy of its ~~duplicate original articles of incorporation or its application to become a registered limited liability partnership~~ limited liability entity charter together with an application for license on a form to be prescribed by the clerk setting forth:

(1) The name and address of the limited liability entity;

(2) The names and addresses of ~~all shareholders, partners, directors or officers~~ of all shareholders, directors and officers, if the applicant is a professional service corporation; partners if the applicant is a registered limited liability partnership; and managers and members if the applicant is a limited liability company, each of whom must be an attorney authorized to practice law.

(3) The names and addresses of all of its ~~attorney employees~~ attorneys who will practice law in Rhode Island.

(4) The name and address of the insurance company writing the insurance required by G.L. 1956 (1999 Reenactment), §7-5.1-8 or §7-12-58, or 7-16-3.3 and shall attach to the application a copy of the certificate furnished by the insurance company to the limited liability entity;

(5) Such other information as the court may from time to time prescribe.

The clerk shall review the copy of the ~~duplicate original articles of incorporation or application to become a registered limited liability~~

partnership limited liability entity charter and the application for license to determine if all requirements of law and these rules have been complied with and notify the court of his or her findings. The court may then order the issuance of a license to practice to the limited liability entity or may refer the application for further consideration to such committee as it may appoint or designate.

(e) Within thirty (30) days after filing any ~~articles of amendment to the articles of incorporation or other change to the articles of incorporation or application to become a registered limited liability partnership~~ limited liability entity amendment with the Secretary of State, a copy of the ~~duplicate original of said articles of amendment or other change to the articles of incorporation or application to become a registered limited liability partnership~~ limited liability entity amendment (duplicate original in the case of professional corporations and limited liability companies) shall be filed with the clerk. Within thirty (30) days of any change in the facts set forth in any application for license filed with the clerk, a statement describing such change shall be filed with the clerk. If such change would require additional insurance under applicable law, a new insurance company certificate shall be obtained and filed with the clerk, together with the statement describing the change. The clerk shall review any such documents filed with him or her to determine if such amendments or changes comply with the law and these rules, and notify the court of any non-compliance.

(f) The limited liability entity shall comply with and be subject to all rules governing the practice of law by attorneys and it shall do nothing which, if done by an individual attorney, would violate the standard of professional conduct applicable to attorneys licensed to practice law in this state. Any violation of this rule by the limited liability entity shall be grounds for the court to discipline it, including termination or suspension of its right to practice law. A lawyer who, while acting as a shareholder, member, officer, director, manager, partner, agent or employee of a limited liability entity engaged in the practice of law, violates or sanctions the violation of the provisions of the Professional Service Corporation Law, the provisions of the Uniform Partnership Act applicable to registered limited liability partnerships practicing law in Rhode Island, the provisions of the Rhode Island Limited Liability Company Act applicable to limited liability companies practicing law in Rhode Island or the rules of the Supreme Court of the State of Rhode Island relating to the practice of law, shall be subject to disciplinary action.

(g) No shareholder, member, or partner of a limited liability entity practicing law shall enter into a voting trust, proxy, or any other agreement which will give an unlicensed person the authority to exercise the voting power of his or her ownership interest in said limited liability entity;

provided, however, that a limited liability entity may be a shareholder of a professional service corporation, a member of a limited liability company or a partner of a registered limited liability partnership so long as all of the owners of such limited liability entity are otherwise licensed hereunder. Any such agreement shall be void.

(h) If a shareholder dies or becomes ineligible, the professional service corporation shall:

(1) Redeem the shareholder's shares unless prohibited by law from accomplishing such redemption, or

(2) Cause the shareholder's shares to be purchased by an eligible person or persons, or

(3) If neither of the foregoing is accomplished within nine (9) months from that date that the ineligibility occurred, then the corporation's license to practice shall be terminated forthwith and the shareholders shall promptly take all steps necessary to cause the dissolution and liquidation of the corporation. Nothing in this rule is intended to prevent the payment for shares redeemed or purchased over any period of time that is agreed upon by the parties.

(4) The corporation and the ineligible shareholder shall have three (3) months from the date that the ineligibility occurs to agree on the fair market value of such stock. If no agreement is reached within such three (3) month period, the corporation shall apply to this court for appointment of three (3) qualified persons, as provided by G.L. 1956 (1999 Reenactment), §7-5.1-5, to determine the fair market value; they shall report their decision within six (6) months of the date that the ineligibility occurred.

(5) The court may, upon a showing of good cause, extend any of the time periods provided by this rule.

(6) The shares of an ineligible shareholder shall not be voted for any purpose, nor shall they be counted in determining a quorum or the number of votes required for any shareholder action.

(i) Any partner of a registered limited liability partnership or member of a limited liability company who dies or becomes ineligible to be a partner or member and the executor, administrator or other legal representative of a deceased partner or member shall be required to dispose of his or her partnership or membership interest as soon as reasonably possible either to the entity or to an individual or entity duly qualified to be a partner or member of the entity; provided, however, that

nothing in this rule shall affect the terms and timing of payments as may be set forth in a partnership agreement, operating or similar agreement to which such partner or member is a party.


(j) The name of every limited liability entity engaged in the practice of law shall contain the name of one or more of its attorneys practicing law in or through the limited liability entity except as hereinafter provided. It shall end with the words "corporation," "incorporated", "limited", "professional corporation", or the abbreviations "Corp.", "Inc.", "Ltd.", "P.C." (in the case of a professional corporation), the words "limited liability company" or "professional limited liability company" or the abbreviations "l.l.c" or "p.l.l.c." in upper or lower case and with or without punctuation (in the case of a limited liability company) or "limited liability partnership" or the abbreviations "LLP or "L.L.P.", (in the case of a partnership) or such other similar words or abbreviations as may be required or authorized by the laws of the jurisdiction where the limited liability company is formed or the partnership is registered. The use of a trade name, an assumed name, or any name that is misleading as to the identity of the attorney or attorneys employed by the limited liability entity in the practice of law is prohibited; however, if otherwise lawful, such limited liability entity may use as, or continue to include in, its name the name or names of one or more of its deceased or retired attorneys or of a predecessor firm in a continuing line of succession. The name of any attorney who assumes a judicial, legislative, public executive or administrative post or office shall not be continued in the limited liability entity name during any significant period in which he or she is not actively and regularly engaged in the practice of law as an employee, member, or partner of the limited liability entity; nor shall the name of any attorney whose employment, membership, or partnership has been terminated be continued in the name of the limited liability entity except as provided herein. (As amended by the Court on June 27, 2003.)

Entered as an Order of this Court this *27th* day of *June 2003*.

WILLIAMS, C. J.

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FLANDERS, J.



GOLDBERG, J.



FLAHERTY, J.

WEISBERGER, C. J. (Ret.)